


Mills Act: Learning by Example

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Chattel, Inc. | Historic Preservation Consultants



Mills Act: A powerful preservation tool

- reinvigorating underutilized programs
- interior vs. exterior reviews
- structural, MEP work
- non-historic additions
- caps on benefits and loss of income
- predetermined termination date
- determining reassessment values
- municipal and assessor staff training
- state mandates and coordination




2

Roundtable Discussion


- Mike Buhler, San Francisco Heritage
- Lambert Giessinger, City of Los Angeles
- Susan Parks, City & County of San Francisco
- Marissa Moshier, Chattel, Inc. & City of Orange
- John Ciampa, City of San Clemente
- Carol Lemlein, Santa Monica Conservancy
- Patricia Johnson-Conner, Los Angeles County Assessor
- Shannon Lauchner, Office of Historic Preservation




3

Mills Act in San Francisco

Susan Parks, Preservation Planner
City and County of San Francisco, Planning Department




Eligibility Requirements


1. Property is a designated historic resource (NR, Article 10 & 11)
2. Property value requirements:
 - under 3 million for residential
 - under 5 million for commercial

* If property exceeds this an HSR is req'd to demonstrate that:

- the property is an exceptional example or work of a master; and
- the property would otherwise be in danger of demolition, deterioration, or neglect.




5




Brief History

- **1996:** City enacts the Mills Act
- **1996-2012:** 5 Contracts issued
- **2012:** Legislative changes, refined process
- **2013:** 11 Contracts issued



6



What Changed?

Timeline:

- Established yearly application deadline (May 1st)
- Established inter-agency deadlines and provided accountability for Planning and Assessor.

Reduced Fees:

- By 2012, fees were ~\$9,000 for residential and ~\$18,000 for commercial properties
- 2012 reduced fees to \$2,500 and \$5,000

Cap Removed:

- There is no yearly cap or cap on number of applications
- Req'd to complete a status report on the state of the program every 3 years to the Board of Supervisors



7

2013

- 1 Application placed on hold in 2012
- 4 applications submitted: May 1st
- Hosted "Mills Act Clinic" in Duboce Park Landmark District: June
 - Legislative changes, MA application, scopes of work, valuation process
- Property owner meetings: June – Aug
- 7 Applications submitted: Sept. 3rd
- 6 approved (1 withdrawn)



2013 Mills Act Contracts



Scopes of Work

Acceptable:

- Work that returns the building to its historic condition
- Exterior repairs (roofing, siding, windows)
- Exterior repairs for water remediation (gutters, flashing, grading, installing drains, etc.)
- Structural
- Interior repairs to designated features

Not Acceptable:

- Mechanical, Electrical and Plumbing
- Additions
- Interior Renovations (kitchens, baths, etc.)
- Landscaping



Duboce Park Landmark District Mills Act Contracts



9

Process

- Assessor provides a sample valuation in the application packet. (not a worksheet)
- Planning receives applications
- Assessor creates valuations
- Property owners have two weeks to review valuations
- Planning and Assessor attend hearings (HPC, B&F, BoS)
- Planning issues final MA Contract, Owner records.



Mills Act: City of Orange

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 Contract Historic Preservation Planner
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City of Orange

- Enabled in 1998
- Eligibility requirements:
 - Contributor to City's historic districts
 - Separately listed in National Register/California Register
- Approximately 1300 eligible properties
- Contracts approved by City Council once annually
- Cap of 10 new contracts per year



City of Orange




- 200 active contracts
- Scope of Work:
 - Exterior improvements
 - Critical systems
 - Cost of improvements over 10 year contract term must meet or exceed total property tax savings
- Alterations to Mills Act properties in historic district include:
 - Small rear additions
 - Accessory units




13

City of Orange


- Current reporting procedures:
 - Property owners submit annual description of compliance with rehabilitation plan
- Developing inspection program:
 - Phased inspections over 5 year period
 - Updates to scopes of work
- Expanding Mills Act program:
 - 3 Eichler historic districts (300 additional eligible properties)

14

Mills Act: San Clemente

John Ciampa, Associate Planner, City of San Clemente
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Management of Mills Act Properties

Project #	Address	Contractor	Start Date	End Date	Status	Notes
101	101 N. La Grana
102	102 N. La Grana
103	103 N. La Grana
104	104 N. La Grana
105	105 N. La Grana
106	106 N. La Grana
107	107 N. La Grana
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199	199 N. La Grana
200	200 N. La Grana

Page 1

Annual Audit

Project Number	Site Address	APNs	Owner	Date approved/Initial Contract Term
03-171	209 Avenida La Cuarta	057 961 17	Patrick and Stephanie	12/16/2003 (12/16/2003-12/16/2013)

Inspection Conditions

1. Complete three Condition-Formal application shall be submitted to the Planning Director to evaluate a proposal for a bridge and weight sign gate over the abutment 62 inches within the first year installation.
2. Reround the garage including the removal of mansard roof overhang along the northwest elevation. Frame the space around the garage door to be flush with the exterior wall of the garage and stucco finish to match the original house. Install header larch above the garage door and joint to match the wooden battens of the original house. Stucco finish the garage addition to match the finish of the original house.
3. The arched opening on the northwest elevation of the garage shall be framed to allow a wooden French door similar to the existing door to the front of the house that adjoins the arched element.
4. The existing metal frames around windows and doors on the building shall be replaced with wooden frames. Repair any sagging windows on the building.
5. The pitched roof in the rear shall have red clay barrel tile replaced with traditional tiles with the existing roof on the house.
6. The existing gutter along the front elevation shall be replaced with a new gutter if a gutter is necessary.
7. Paint the exterior of the building where necessary.
8. Replace ratings on decks with traditionally compatible ratings.

Completed by the end of:

Year	Completed?	Owner's signature verifying summary information
2009	Y	
2010		
2011	Y	
2012		
2013	Y	
2014		
2015		
2016		
2017		
2018		
2019		
2020		

Contact Information:
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 other:

Mills Act: Santa Monica

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Does the City of Santa Monica need limitations on the number and value of Mills Act Contracts?

Carol Lemlein, President
Santa Monica Conservancy




Proposed Changes to Santa Monica Mills Act Program: November 2013

Landmarks Commission recommended improvements to the Mills Act application and implementation process

- Strict adherence to city codes, Certificate of Appropriateness process, and Secretary of the Interior Standards
- Detailed, professionally prepared work plan with assessment of existing conditions, indicating proposed work, timeframe for completion and costs
- Annual reports describing work completed and monitoring by city staff every two years

Staff responded with recommendation for an annual cap on total lost revenue attributed to new contracts and a cap on the value of any individual new contract



Response from Landmarks Commission and Conservancy

- Mills Act is Santa Monica's only financial incentive for preservation
- Program currently costs the City less than 0.3% of property tax receipts
 - This investment has resulted in restoration of 57 designated properties
- There is no evidence of a rush to apply!
- approximately 10% properties (~ 1500) are eligible for designation but application rate has typically been 5 or fewer per year
- Proposed caps create *disincentive* to designate and apply for a contract.
- Cap on total new contracts would create uncertainty for property owners, who must make a significant investment in the application without knowing what others will be made
 - A limit on the value of a contract could also discourage rehabilitation of a valuable property in poor condition, resulting in another loss to Santa Monica's historic character.

Late Breaking News: Proposal for caps now appears to have been dropped!



22

Case Example – New Construction Brecht House – Santa Monica



- Mills Act property
- Once home of Berthold Brecht – famous poet, playwright, theatre director, and Marxist
- 1921 home Landmarked in 2011
- The contemporary addition contains a transparent, glass bridge connecting the landmarked house with the new home!



23


Mills Act: L.A. County Assessor

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Tax Savings

The Mills Act Historical Property Contract Program allows qualifying owners to receive a potential property tax reduction and use the savings to help rehabilitate, restore and maintain their buildings




Older base years will usually not benefit from the Mills Act valuation

The Mills Act program is especially beneficial for recent buyers of historic properties and for current owners of historic buildings who have made major improvements to their properties.




The Assessor is required to review all properties annually




Each year the Assessor reviews all Mills Act
Parcels.

They are valued by three different methods




- 1) Trended Base Value (Prop 13)
Purchase price trended to roll being prepared. New construction is added on to the trended base value
- 2) Market Approach
Comps used are non-Mills Act parcels
- 3) Income Approach
All sources of income (potential rent, movie rentals, etc)



Income approach is sources of all revenue

Less 5% vacancy & collection
equals
Effective Gross Annual Income
Minus total annual expenses
(does not include property taxes and mortgage expense)


Equals Net Income
Which is divided by cap rate
= value



What makes up the cap rate?


SBE INTEREST COMPONENT
+
RISK COMPONENT
(SFR/CONDO =4%, NON-SFR=2%)
+
IMP TO BASE VALUE RATIO X BLDG AMORIZATION COMPONENT
+
TAX RATE (TRA) COMPONENT

NET INCOME
CAP. RATE
EQUALS THE VALUE




The Assessor chooses the lowest of the three values (trended base, market or income).

This is the value that the Mills Act parcel receives for the tax year.



The new assessment will be reflected on the subsequent property tax bill issued in October, with the first bill due by Dec 10th

There are no retroactive provisions



**Mills Act:
California Office of
Historic Preservation**

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